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State may write IOU tax refunds

SACRAMENTO (AP) — If the state doesn't solve its budget problems this month, the long line of people who can expect state IOUs instead of checks will be joined by nearly 8 million California taxpayers, says state Controller Ken Cory.

A spokesman for the Democratic controller said Tuesday that as much as \$2 billion in state income tax refunds would be among the money to be paid in registered warrants — paper that wasn't immediately backed by cash in the state treasury.

Registered warrants haven't been used in California since the

• Meanwhile, Republican lawmakers Tuesday introduced bills embodying Gov. Deukmejian's plan to erase the budget deficit. Story, A-2.

1980s. They would also be issued to about 80,000 state employees — including the governor and Legislature — to local governments, and to companies that sell goods and services to the state.

Spokesman John Jervis said Cory's office estimates the warrants would be redeemed by the state 15 to 25 days after issue. They would be distributed in sequence, and people would have to watch the newspapers for the number of their warrant.

However, individual banks and savings and loans could decide to honor the warrants as cash immediately, and several state employee credit unions have already said they would pay cash.

The warrants would pay 5-percent interest until the state redeemed them.

Estimates of the deficit faced by state government at the end of the fiscal year June 30 range from \$1.5 billion to \$2.4 billion.

"If no solution is found to the fiscal crisis we're now in, taxpayers are going to have to get in line with many state employees and vendors who do business with the state and be given registered warrants," Jervis said.

Cory says some substantial agreement must be reached by the end of this month to avoid paying registered warrants to meet the state's debts by the end of February.

Jervis said Tuesday Cory's office was skeptical about Deukmejian's latest legislative proposal, to eliminate the deficit on paper by June 30 by paying private lenders with money borrowed internally from other state funds.

The state Franchise Tax Board said Monday 8 million of California's 11 million taxpayers will receive state income tax refunds this year, averaging \$250.

Jervis said those entitled to tax refunds before Feb. 22 or 23 would get regular state checks. The warrants would begin after that.

Because education has first call on state funds under the state constitution, employees of the University of California and the California State University would receive state paychecks instead of registered warrants, and public schools would get checks for their state aid payments, Jervis said.

Certain state departments that are paid out of specially designated funds, rather than the General Fund, would also issue paychecks, including the Highway Patrol, Department of Motor Vehicles and Department of Transportation, Jervis said.



AP wirephoto

Hand-me-down Rose

A New York City firefighter completes the daring rescue of a baby girl by handing her to a policeman from a fire escape on a six-story apartment building in The Bronx. The girl and another infant were saved by three policemen who were first on the scene and who defied 20-foot-high flames to reach them. None were identified. No one was reported hurt in the Monday fire.

Deficits top \$1 trillion in Congress' 4-year outlook

WASHINGTON (AP) — The Congressional Budget Office, in a forecast circulated privately on Capitol Hill, predicts federal deficits will rise sharply over the next several years and reach \$322 billion in 1987 barring new tax increases or spending cuts, sources said Tuesday.

The congressional sources, who asked not to be identified, said red-ink spending for the current fiscal year was pegged by CBO analysts at \$196 billion. For the next fiscal year, beginning Oct. 1, the deficit was forecast at \$214 billion.

But then the estimates, contained in an internal memorandum written earlier this month, swell to \$227 billion in 1985, \$273 billion the following year and \$322 billion in 1987.

All those estimates contain the unlikely assumption that current programs remain in place unchanged, and that neither spending cuts nor tax increases are approved in the next several years to reduce the deficits. President Reagan is expected to propose several billion dollars' worth of cuts later this month, and Congress is likely to accept many of them, or else substitute some of its own.

In one notable turnabout, the CBO forecast is more optimistic on the prospect for economic recovery over the next year or two than the most recent Reagan administration assumptions. But the

administration assumes a longer-lasting economic recovery than do CBO economists, and it envisions deficits of slightly below \$300 billion for 1987.

In a separate draft of its winter review, the CBO says a relatively weak economic recovery will probably begin this year, although unemployment will stay very high, averaging 10.7 percent for

1983. Under some circumstances, that could mean joblessness may reach 11 percent briefly.

The draft anticipates improvements in the housing and auto industries, but says "There is ... much uncertainty about the strength of the recovery, once started," in part because of the

(Please see Outlook, A-4)

Top executives don't want red ink to swamp recovery

WASHINGTON (AP) — Three leading business groups who fear gigantic budget deficits will choke economic recovery Tuesday urged that next year's defense spending be cut even deeper than President Reagan wants.

Representing some 550,000 small, medium and large businesses nationwide, the groups include the first top business executives to call for more restraints on the 1984 budget.

The business groups are fearful the economy is too weak to recover from large deficits. Some administration economists also have said deficits as high as \$150 billion to \$200 billion a year could severely cramp a genuine recovery.

Arthur Levitt, chairman of the American Stock Exchange and

the American Business Conference, told a news conference, "The specter of expanding deficits of gargantuan proportions threatens to cut off the recovery before it will have had much chance to create a significant number of jobs for the 12 million Americans who are unemployed." The business conference's members include about 85 medium-sized firms in growing industries like high technology.

The two other groups joining in Tuesday's budget-reduction call were the National Association of Manufacturers, which represents some 12,000 large- and medium-size manufacturers, and the National Federation of Independent Business, which has a mem-

(Please see Swamp, A-4)

For dealings with Davenport

95 Adventist leaders said to be on carpet

By JAMES NICKLES
and ART WONG
Sun Staff Writers

About 95 officials of the Seventh-day Adventist Church may be disciplined for improper or imprudent dealings with Southern California developer Donald J. Davenport, who filed for bankruptcy in 1981 owing the church \$21 million in unpaid loans and interest.

An official of the General Conference, the church's top ruling body, said four officials are being recommended for termination. The official, who asked not to be identified, also said another 15 could be publicly reprimanded and demoted.

The names of the officials have been withheld during a period set aside to allow any internal appeal.

Meanwhile, world church leader Neal C. Wilson, in a statement released Tuesday, confirmed the church is considering a range of disciplinary measures — including dismissal — against 95 or so officials accused of ignoring church guidelines in making personal or church loans to the surgeon and post-office builder.

Wilson said those measures could range from a "private letter of administrative disapproval" to termination from church employment and loss of ministerial credentials.

"This is by far the most sweeping discipline ever attempted within the Seventh-day Adventist Church," Wilson said in the statement.

The written statement, re-

leased by a spokesman for the General Conference, coincided with publication of an article by Wilson on the "Davenport Affair" in the weekly Adventist Review.

It did not name names or even state the exact number of officials involved.

But it was Wilson's most detailed acknowledgement to date that Davenport's financial dealings extended far into the Adventist hierarchy.

An investigation by The Sun last year found that many of Davenport's transactions with Adventist organizations and officials appeared to violate the church's own investment and conflict-of-interest guidelines.

It found that some Adventist investment officers made personal loans to Davenport at up to 80 percent annual interest — far more interest than received by their church organizations or the dozens of rank-and-file Adventists who also made loans to the developer.

In his statement, Wilson conceded that some church financial officers may have accepted special favors from Davenport for channeling church monies into his vast real-estate empire, which collapsed with debts estimated at \$68 million.

Wilson said the disciplinary measures were recommended by a 15-member president's review commission that spent five months evaluating a report by the church's special counsel, the na-

(Please see Adventists, A-5)



Margaret Thatcher

Findings on Falklands war buoy Thatcher

By R.W. APPLE Jr.

New York Times News Service

LONDON — Prime Minister Margaret Thatcher's government was officially cleared of blame Tuesday for Britain's failure to anticipate or prevent Argentina's capture of the Falkland Islands last April 2, which led to a two-month war in the South Atlantic.

The report of a committee of inquiry, which spent six months studying secret documents and interviewing dozens of Britons, came as a political tonic for the prime minister, who is expected to call a general election later this year. It was signed not only by the committee chairman, Lord Franks, an Oxford don who served as ambassador to the United States 30 years ago, but also by the four other committee mem-

(Please see Falklands, A-4)

Gang commandeers elderly woman's home

HOPEWELL, Va. (AP) — A 74-year-old woman held virtual prisoner in her own home for two months by a gang of 20 people who drained her bank account said Tuesday, "You don't know who to trust any more."

Police say about 20 juveniles and adults had the run of the one-story frame house where Evelyn Rust Wells lived alone until about two weeks ago, when officials got reports something was wrong.

Detective Dianne Portwood said the reign of terror apparently began when Wells invited people into her house to ease her loneliness and they began taking advantage of her.

"They would go there uninvited," she said. "They would refuse to leave when she asked them."

The unwanted visitors began using the house on a residential street as a gathering place. They bought beer and food at local stores and persuaded her to write checks to pay for it.

The ordeal ended when a neighbor and the owner of a nearby store became suspicious about the numbers of people entering and leaving the house and the checks being cashed in her name.

Police are holding two teenagers and plan more arrests.

Wells, who has been hospitalized, did not want to be questioned directly Tuesday, but from her bed she talked in general about her neighborhood in this small city 20 miles south of Rich-

(Please see Woman, A-5)

Attorney pledges to back charges of corruption in Chino Hills plan

By BILL ROGERS
Sun Staff Writer

Charges that governmental corruption influenced decisions on the new Chino Hills community plan were voiced Tuesday by an attorney for two development companies suing the county for \$68 million on grounds the plan treats them unfairly.

The allegations, which the attorney admitted require more substantiation, were denied by Supervisor Robert Townsend, who instigated the planning effort, and by a lawyer defending the county in the lawsuit.

Santa Ana attorney Gregory Hile, representing the two companies, told The Sun he "will have evidence" of corruption that may involve campaign contributions to county supervisors. Hile said he also intends to unveil a conspiracy stemming from "personal favoritism." He added that bribery is "a possibility."

"Hell, no, I'm not aware of any corrupt activity," Townsend told a reporter when asked about the allegations. "I think somebody's whistling Dixie."

"There is nothing like that that happened here," said Richard Terzian, attorney for the county and four of its officials who are defendants in the lawsuit, along with six Chino Hills land owners and development firms.

Hile voiced his charges after a hearing in Los Angeles Monday at which U.S. District Court Judge Terry Hatter denied county motions seeking dismissal of the lawsuit filed last September by Chino Hills Estates and English Road Investment Ltd.

Hatter's rulings potentially cleared the way for a trial, possibly late this year, on claims by the two firms that they have suffered deprivation of civil rights as the result of a conspiracy to allow them less housing density on their properties than the community plan permits on similar lands elsewhere in the Chino Hills.

Although his motions to dismiss the suit were rejected, Terzian said he was encouraged by Judge Hatter's repeated replies of "What's wrong with that?" when Hile, asked how he intends to prove corruption or a conspiracy, merely referred to various private meetings among county officials and developers. Such meetings, Terzian said, are a usual part of any community planning process.

Hile later said he "should be able to show both" a conspiracy and corruption involving county officials including Townsend and "possibly other supervisors." But he admitted that the substantiation which would be needed in court awaits interviews with

(Please see Chino Hills, A-5)

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• Chief U.S. arms negotiator Paul Nitze suffers a rebuff in instructions given for talks to resume in Geneva soon, but he maintains his effectiveness remains undiminished. Stories, D-1.

• Americans on the average kept slightly ahead of inflation last year as personal income rose 1.1 percent more than did prices. Story, A-3.